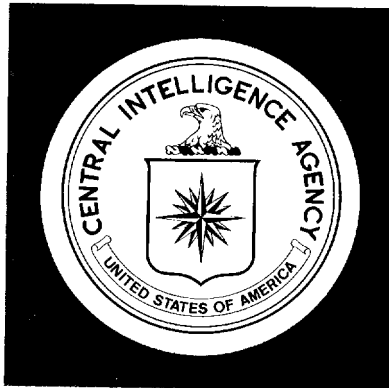


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Weekly Summary

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WEEKLY SUMMARY. issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the Agents. 25X1

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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the USSR:

MEDIA LOOK AT THE US

2. [Soviet media have begun to send out mixed signals on the outlook for Soviet-US relations. The evidence is tentative, but there are signs that Moscow has some qualms about continuing to accord detente with Washington the degree of prominence that has become commonplace over the past two years or so.]

1. [A major article in *Pravda* on March 30, marking the third anniversary of the 24th party congress at which Brezhnev launched his "peace offensive," gave scant attention to US-Soviet ties. By contrast, last year's anniversary article placed considerable stress on the gains achieved in bilateral relations.]

1. [The recent article did take brief note of the "extremely important effect" improved US-Soviet relations have had on international affairs. The usual references, however, to meetings at the summit, SALT, and recent progress in bilateral ties were missing.]

1. [In addition, the allusion to the US was followed by a reference to the "great complexity" of the current international situation. This situation, said *Pravda*, is marked by the continuing military preparations of various capitalist countries and by their counterattacks against Moscow's efforts toward detente.]

1. [Last year's *Pravda* article hailed the "paramount international significance" of US-Soviet relations and praised the results of the May 1972 summit. It listed the major agreements concluded between General Secretary Brezhnev and President Nixon, and it expressed optimism over prospects for SALT.]

Last week's *Pravda* article is not the only straw in the wind. Earlier this year, the Soviet Communist Party's theoretical journal *Kommunist* gave a similarly perfunctory treatment to relations with Washington. Handling of this sensitive issue in the Soviet press suggests a more cautious attitude on Moscow's part, if not a slackening of enthusiasm on the part of some Soviet leaders.]

2. [The Soviets have already found ways to demonstrate their displeasure with Washington's expanded role in the Middle East, with the delay in granting the USSR most-favored-nation status in trade, and with US statements on nuclear targeting. These concerns, together with uncertainty over the political situation in the US, may have led the Soviets to pause and take stock of their own expectations with regard to detente.]

1. [This has not prevented Moscow, however, from trying to counter what Soviet commentators have called "pessimistic" press accounts of the outcome of Secretary Kissinger's recent visit to Moscow.]

2. [One commentator said that the Secretary's visit was a "new contribution" to relations and an "important step" toward guaranteeing the success of President Nixon's planned visit to the USSR. Taking issue with negative Western press assessments of the progress made on SALT during the recent Moscow talks, the commentator contended that mutually acceptable solutions are possible despite the complicated nature of the problem. The Soviet international affairs weekly, *Life Abroad*, went even further, asserting that "an agreement could be worked out in time for the planned summit meeting."]

2. [A similarly positive portrayal of the Secretary's visit was carried by Tass, which noted

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that improvement in US-Soviet ties has allowed tangible results in several major areas, including arms control. Refuting allegations about the "tough" position Moscow adopted on SALT during the Secretary's visit, Tass branded these idle speculation.

2 An article in *Izvestia* took much the same line. It presented a more sober appraisal of the prospect for progress at SALT, however, pointing to the complicated nature of the problem and the alleged opposition of the Pentagon.

JEWISH EMIGRATION AND MFN

4 There is increasing evidence that the Soviets have decided to cut back significantly on the number of Jews allowed to emigrate to Israel. This decision is probably related to the poor prospects Moscow sees for gaining most-favored-nation treatment from the US. During the first three months of 1974, Soviet Jewish emigration to Israel was about 22 percent less than the same period last year.

2 The Soviets contend disingenuously that there are simply fewer Jews who now wish to leave the Soviet Union. According to a Moscow radio commentator, applications for emigration decreased sharply as a result of the October war in the Middle East, and in January of this year applications were less than half the number of January 1973. The commentator claimed that educated Soviet Jews do not want to give up the advantages of socialism and are skeptical about the kind of treatment they would receive in Israel.

It is becoming clear, however, that the authorities have deliberately put new bureaucratic obstacles in the way of prospective emigrants. These procedures have included greater police scrutiny of the applicant, the need to submit character references that go back at least six months, and a requirement that application forms be typed.

In practice, a would-be emigrant must now quit his job at least six months before applying for emigration, since upon applying he runs the risk of being fired and thus receiving a poor



Awaiting Transportation

character reference. The requirement that application forms be typed is a lesser obstacle, although it does mean that a prospective emigrant must secure a permit—required of all private citizens—to purchase a typewriter, or find some other method of having the application typed.

4 Such harassment has doubtless discouraged a great number of potential applicants but probably is not the only factor contributing to the decline in emigration. Despite persistent Soviet protestations that "practically any" citizen may go to Israel, there have recently been signs that Soviet authorities are simply refusing exit permits to large numbers of Jews even after they have managed to satisfy the bureaucratic requirements.

4 Moscow's tougher policy can probably be attributed to the trouble the USSR is having in getting most-favored-nation treatment from the US. The message seems to be that if the US Congress is willing to turn down trade concessions to Moscow by linking the issue to Soviet emigration policy, the Kremlin is prepared to reverse this linkage and restrict emigration until most-favored-nation treatment is granted.

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Egypt: Countering The Critics

6 [President Sadat appears to be growing increasingly concerned that criticism of his foreign and domestic policies from the Soviets and Arab radicals will adversely affect the willingness of other Arab states to continue peace negotiations.]
5 [He has begun counter-attacking and, in a major policy address on April 3, lashed out at the USSR for being not the protector of Arab interests it claims to be, but instead a hindrance to the Arab cause.]

6 [Sadat recited a long history of unfulfilled Soviet promises of aid and charged that Moscow had obstructed his efforts over the years to initiate hostilities by consistently attempting to limit his focus to diplomatic rather than military action. At the same time, he implied, Soviet tactics virtually guaranteed that diplomatic action would be fruitless. Largely because Moscow sought to keep the Arabs militarily weak, the US gained the impression that the Arabs were ineffective "dead bodies" too weak to bargain with or to deserve diplomatic intervention to break the Arab-Israeli impasse.]

6 [By emphasizing that the Arabs would still be in this stagnant situation had he heeded Soviet opposition to war, Sadat was telling the other Arabs, particularly Syria, that Moscow is an unreliable ally and that dependence on Soviet advice in the current negotiations will also do the Arabs no good.]

5 [In his speech, Sadat also implicitly criticized the Soviets in treating domestic matters, although in this case his approach was more in the nature of a defense of his own policies than a direct attack on the critics of those policies.]
6 [Both the Soviets and radical Arabs have weighed in strongly against the anti-Nasir propaganda campaign launched in Cairo newspapers two months ago by overzealous Sadat supporters. Moscow and the radical Arabs seized on the campaign as indicative of a general rightward drift in Egypt, and Sadat is concerned about the impact of their charges that he is selling out both Nasir's "revolution" and general Arab interests for the sake of the US and of his own domestic power position.]

6 [Sadat has attempted in recent weeks to backtrack from the blatant criticism of Nasir by noting that he shares responsibility for all of Nasir's policies and is attempting now not to "destroy Nasir's legacy" but to correct the "negatives" of his predecessor's regime. This oft-repeated theme—emphasized again in his speech this week—reflects some misgivings that Soviet criticism on the issue might strike a responsive chord among Egyptians, as well as other Arabs.]

6 [Although Sadat seems to be somewhat defensive in countering Soviet propaganda on internal Egyptian affairs, his outspoken attack on Moscow's war and peace policy may herald harsher attacks in the future on Soviet interests in Egypt.]
5 [The speech was preceded by an *Al-Ahram* editorial questioning the continued value of the Soviet-Egyptian friendship treaty and, although Sadat himself did not mention the treaty, he laid the groundwork for a later call for its modification if the close relationship with Moscow that it symbolizes begins to rankle still more. Such a move would risk Egypt's major source of military aid, however, and Sadat will have to approach this issue cautiously.]

6 [Moscow, which has not yet responded to Sadat's speech, announced on Wednesday that it is sending a new ambassador to Cairo—Vladimir Polyakov. Although he has less status than his predecessor, Polyakov is an expert in Middle East affairs and probably has the primary task of salvaging whatever is possible of the Soviet-Egyptian relationship.]

6 [Since the October war, Moscow has made energetic efforts to consolidate its relations with other Arab states—mainly Syria and Iraq—as alternative areas of influence. The Soviets will most likely, however, attempt to maintain their military aid program in Egypt, where they undoubtedly want to protect their investment while waiting hopefully for the balance to again swing back in their favor.]

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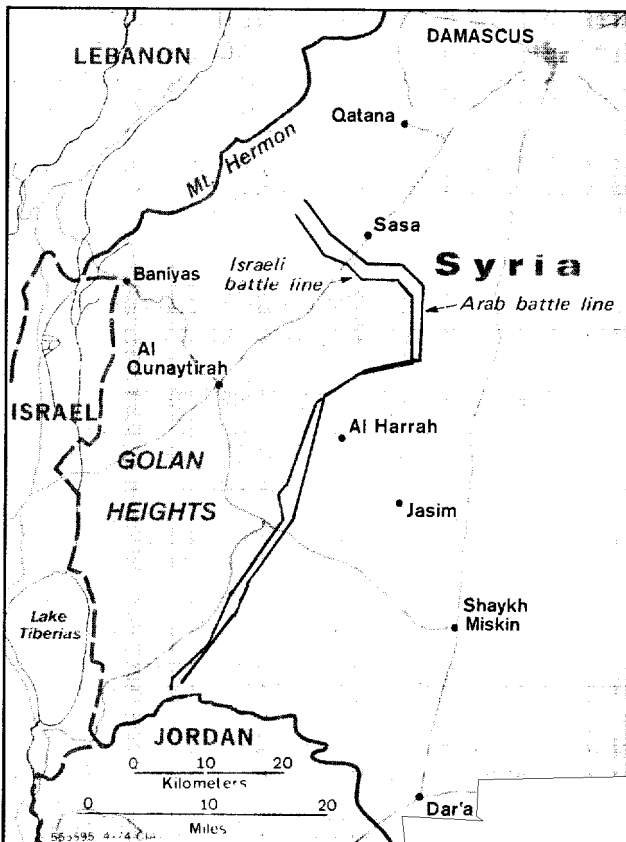
Israel-Syria: The Golan Front

Military Tensions High

A growing sense of crisis developed on the Golan front this week as shelling between Israeli and Syrian forces entered its fourth week. Tel Aviv demonstrated its concern by giving wide publicity to its reinforcement of the front in a move apparently designed both to warn Damascus against any renewal of offensive action and to reassure the home front of Israel's military preparedness. Late in the week, however, Israel reduced its level of military action, possibly to give the situation time to cool down, as well as to assess the effect of its recent measures on Damascus.



Israeli gunners



Israel's heightened concern was prompted by indications that the Syrians might be preparing to renew major offensive action.

the Syrians had shifted their forces into a better position to launch an attack.

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Moving Up

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14 [Damascus apparently believes it must maintain military pressure on the Golan front to support its negotiating aims. It may also consider that an aggressive posture now will blunt criticism of any future concessions. Israel views this as a military threat, however]

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14 [One result of the prolonged period of growing tension has been to increase the chances of miscalculation by both sides, raising the possibility that a minor incident could lead to a major outbreak of fighting. Both Syrian and Israeli forces are in positions from which they could attack with little or no warning, and either side might launch a pre-emptive attack if it believed the other were about to strike.]

Negotiations Begin

16 [On the political side, the Syrian delegate to the Washington disengagement talks, Brigadier Hikmat Shihabi, is scheduled to arrive next week.]

16 [During his visit to Washington last week, Israeli Defense Minister Dayan submitted a disengagement proposal which, according to the Israeli press, would leave the Israelis still in control of a part of the salient captured in the October war. This proposal, which probably represents only Israel's initial bargaining position, would clearly be unsatisfactory to the Syrians, who reportedly will insist that the Israelis withdraw completely from the salient as well as from the town of al-Qunaytirah, which was captured in the 1967 war. The Syrians also want a linkage between an Israeli commitment to withdraw from all the occupied territories and any immediate disengagement accord. For their part, the Israelis are insisting on the exchange of POWs prior to any withdrawal.]

16 [The Israelis are aware that their proposal is unacceptable to the Syrians, but they would apparently prefer to see the negotiations drag out for some months in the hope that the Syrians will modify their position. It is clear that for any disengagement to occur, both sides will have to modify their present positions significantly.]

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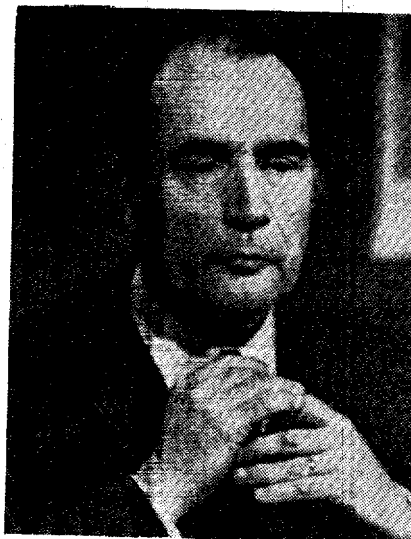
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France: Vying to Succeed Pompidou

(18)
The first round of elections to select a successor to President Pompidou will be held on April 28 or May 5—earlier than either the Gaullists or their leftist rivals would have preferred. Gaullist Jacques Chaban-Delmas and Socialist Francois Mitterrand are the main contenders, but there will be several other candidates; most will declare within a week.

The Communists, Socialists, and left Radicals had hoped an election would not occur until at least next year. They wanted more time to develop an image of international statesman for their leader, Socialist Francois Mitterrand, 57. The leftist alliance also hoped for time to exploit popular dissatisfaction with the government's failure to resolve the country's economic problems. One Socialist leader recently said, "If we believed in God, we would be in church lighting candles for Pompidou's health."

The leaders of the leftist alliance are still not agreed on how to present their candidates. The Communists want Mitterrand to run as the sole leftist candidate fearing that one of their own would do poorly and expose the party's weak position. Mitterrand, however, wants his allies to



Francois Mitterrand

field candidates so he can run on a moderate platform, rather than be associated with the more extreme portions of the alliance program. He is gambling that he will win enough votes on the first round to make it into the second, where he hopes to prevail with the additional support of Communist voters.



Chaban-Delmas

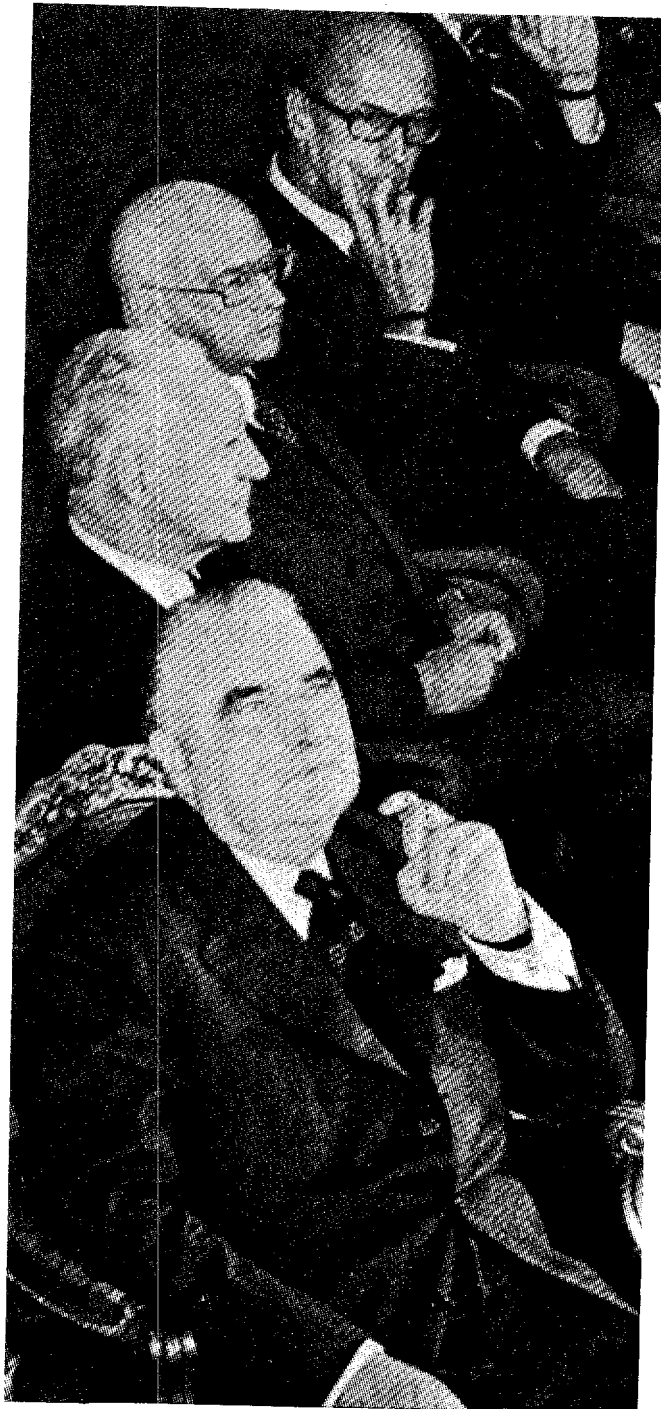
The other main candidate, Jacques Chaban-Delmas, 58, is a liberal Gaullist and a former prime minister. At a party congress last November, his Gaullist colleagues indicated that they would support him as a successor to Pompidou. The governing coalition—Gaullists, Independent Republicans, and a small centrist group—is in some disarray however. One of their major problems is that Giscard d'Estaing, the leader of the Independent Republicans, may choose to break coalition unity and run in the first round. Giscard, 47, was thought to be Pompidou's favorite, but he faces serious opposition from orthodox Gaullists. Giscard is also hampered by his patrician image and his association with France's economic woes as Pompidou's economics and finance minister.

First-round challenges would also come from:

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Behind Pompidou; Messmer, Faure,
Giscard d'Estaing

- Pierre Messmer, 58, the lackluster, orthodox Gaullist prime minister.

- Jean Lecanuet, 53, leader of one of the two center union factions. He won 16 percent of the first ballot in 1965 against De Gaulle. He may run to avoid having to associate himself prematurely with one of the front runners;

- Edgar Faure, 65, the leader of the left-wing Gaullists and president of the National Assembly. He sees himself as a compromise candidate;

- Alain Poher, 64, the centrist who will act as interim president. In 1969, when he served in that capacity after De Gaulle's resignation, Poher won 42 percent of the second-round vote against Pompidou.

Foreign Minister Michel Jobert is now receiving considerable publicity for his aggressive foreign policy tactics, but he lacks a political base—he is not even a member of any party—which makes him an unlikely candidate.

No president has been elected in the first round under the present system. In view of the many likely candidates, this election probably will be no exception. Uncommitted voters make up some 30 percent of the French electorate and usually determine the outcome. The French constitution provides that the Constitutional Council must set an election date within 20 to 35 days of the death of a president. Candidates must file by April 9 or 16. If no candidate receives an absolute majority on the first ballot, a second must take place two weeks later, with the two candidates who receive the most votes on the first ballot participating in the run-off. The law also allows the top candidates to withdraw in favor of one of the first-ballot losers. This can happen when a candidate is thought more likely to draw wide second-ballot support. On the second ballot, a simple majority elects.

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CHINA: HARD LINE EXPECTED AT UN

21 [Peking is demonstrating the importance it attaches to the special session of the UN General Assembly next week by sending the highest ranking Chinese delegation ever to the UN.] [Vice Premier Teng Hsiao-ping, a member of the Politburo, will lead the delegation, with Vice Foreign Minister Chiao Kuan-hua, a veteran at UN meetings, as his deputy.]

21 [The special session, which will deal with raw materials and economic development, affords China the opportunity again to champion efforts by the developing countries to control their own natural resources. The Chinese may also anticipate that they will have an opportunity to discuss Taiwan and other issues with US officials.]

21 [At the session itself, the Chinese almost certainly will criticize the US and USSR for "plundering" the economic resources of the developing countries. The Chinese, for example, probably will defend the pricing policies of the oil producing states and seek to blame high oil prices on the "exploitative" nature of capitalism and on manipulations by the large oil companies. Because of leftist pressure built up during the current anti-Confucius, anti-Lin campaign in China, Teng and Chiao probably will be much more critical of the international activities of US corporations than they have been in the recent past.]

21 [Increased criticism of US business would be in line with the more militant note Peking has been sounding on several foreign policy issues in recent weeks. Speeches by Premier Chou En-lai have included reminders that China, as a socialist country, would continue to support revolutionary causes, and Chou's speech at a banquet on April 1 for visiting Cambodian Communist leader Khieu Samphan was resolute in its reaffirmation of revolution in the abstract. Increasingly militant rhetoric on some international issues has been accompanied by a harder attitude toward Taiwan.]

21 [Chou seems to be holding firm on other foreign policy issues bearing on relations with the West. Western businessmen have encountered few delays in conducting business with the Chinese, and the volume of Chinese imports from the West continues high despite criticism in the Chinese media of "over-reliance" on such imports. Despite the fact that Chou is under pressure—on Taiwan as well as other issues—there appears to be no alteration in the substance of Chinese foreign policy.]



Teng Hsiao-ping

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LAOS: A COALITION AT LAST

29 After more than 13 months of hard bargaining, the two Lao sides are ready to form the nation's third coalition government in nearly 17 years. Prime Minister Souvanna Phouma and his half-brother, Lao Communist chairman Prince Souphanouvong, are now expected to present their new coalition cabinet and advisory political council to the King for royal investiture on April 5.

29 The final breakthrough in the protracted negotiations resulted from private discussions between Souvanna and Souphanouvong's personal emissary, Phoumi Vongvichit, who recently returned to Vientiane. The success of this dialogue paved the way for Souphanouvong's return to the Lao capital after an absence of some 11 years. Following a brief stopover in Hanoi, the Lao Communist leader—accompanied by a small entourage of senior officials—arrived by Pathet Lao aircraft in Vientiane on April 3. A crowd estimated at several thousand, including many students, welcomed the Prince from Sam Neua. In a prepared statement, Souphanouvong struck a positive note on the prospects for success of the new government, but he cautioned that on the basis of past experience—an obvious reference to the rapid collapse of coalition experiments in 1957 and 1962—obstacles may yet remain in the search for peace and national reconciliation.

29 Souvanna and Souphanouvong proceeded to the royal capital of Luang Prabang in preparation for the investiture ceremonies. They are to be joined there by the entire membership of the coalition cabinet and advisory political council.

29 An official roster of the new coalition's membership has not yet been announced. It appears, however, that key individuals in Souvanna's present cabinet will continue to occupy important portfolios—including defense, interior and finance—in the coalition cabinet, and that, for both sides, the new government will be a reflection of the remarkable staying power of the Lao ruling elite over more than a decade.



Souvanna Phouma

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The protocol to the February 1973 peace agreement weights the leadership of the joint council in favor of the Pathet Lao, makes the council a policy-recommending body independent of and co-equal with the coalition cabinet, and gives it the responsibility for organizing general elections.

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CAMBODIA

Out of the Shadows

36 [After a long period of obscurity, Khmer Communist "defense minister" Khieu Samphan is having his day in the international limelight. When Samphan arrived in Hanoi on March 28, he received a warmer welcome than that accorded Sihanouk earlier on his way back to China from Laos. The Chinese staged another impressive reception when Samphan arrived in Peking on April 1. Samphan's next stop reportedly will be Pongyong.]

35 [In his major speech in Hanoi, Samphan emphasized that the only solution in Cambodia was for the US to end its "aggression" and terminate all forms of support to the Lon Nol government. Samphan asserted that Cambodians would then be able to settle their own affairs. He did not repeat Sihanouk's recent call for direct talks with Washington. North Vietnamese leaders publicly assured Samphan that Hanoi could be counted on to render full support to the Khmer Communists. They also indicated that they would resist any efforts to press the insurgents into negotiating.]

35 [In Peking, Samphan stuck to his militant line and again denounced the US and its "lackeys" for alleged espousal of "sham cease-fire, sham talks, and sham peace." Premier Chou En-lai's public remarks reflected the cautious tone that has characterized Peking's statements on Cambodia over the past year. Although Chou made no specific reference to peace proposals, he implied approval of a negotiated settlement in Cambodia by citing the Paris and Vientiane cease-fire agreements as "victories" in Indochina.]

36 [From the Khmer Communist viewpoint, Samphan's visits probably are intended to emphasize that the Khmer Communists are an independent force that must be reckoned with politically before the fighting in Cambodia can end. In

addition, his trip to Peking has served to identify the Chinese more closely with the Khmer Communist leadership. The prominence accorded Samphan also raises questions concerning Sihanouk's political future.]

On the Battlefield

32 [Khmer Communist forces this week appeared intent on following up their recent victory at Oudong with another at Kampot. They kept up their pressure against the southwestern provincial capital, pushing government defenders back within a mile of the city at several points. Although Phnom Penh has sent more reinforcements to Kampot, the situation there at mid-week continued to deteriorate.]

32 [Closer to Phnom Penh, lead elements of the Cambodian Army units participating in the effort to retake Oudong were still stalled a mile short of the town.]

A Change of Councils

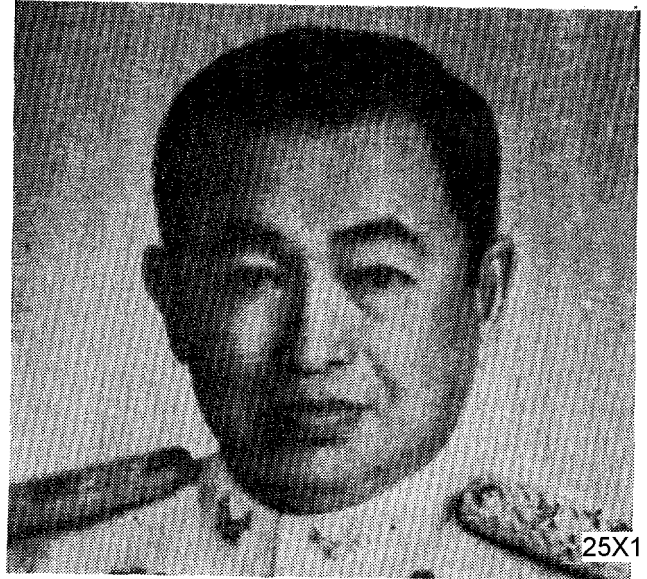
4 [On the political front, President Lon Nol has scrapped the High Political Council. Ostensibly the country's ruling body, the council had become increasingly ineffective due largely to political frictions among its three members—Lon Nol, Republican Party head Sirik Matak, and former chief of state Cheng Heng. In recognition of the need to maintain some sort of high-level advisory body, however, Lon Nol subsequently established an "executive council." Besides the President, the new council consists of Matak, Prime Minister Long Boret, and Cambodian Army chief General Fernandez. The inclusion of the last two will allow the principal executors of government policy to participate more effectively in its formulation. Although Matak is likely to be pleased at the prospect of having more responsibility, he is certain to remain sensitive to any efforts by Lon Nol to impose his will on the council.]

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THAILAND: MILITARY RUMBLINGS

46 After nearly six months of mostly lackluster civilian rule in Bangkok, the first signs of restiveness among the Thai military have begun to appear. Earlier attempts to develop a democratic system of government have almost invariably foundered for lack of strong leadership and have resulted in military coups. From the moment that Thanom Kittikachorn's military regime collapsed last October and he was replaced by civilians, local observers have been speculating as to how long the military, in control for most of the past 40 years, would allow "democracy" to last this time.)



Krit

Sanya

issued a statement denying that the government would resign or that the cabinet would be reshuffled. He announced, however, that he was bringing four senior statesmen into the government as advisers to the prime minister, including former foreign minister Thanat Khoman and economist Puai Ungphakorn. Sanya may hope that bringing the outspoken Thanat and the capable Puai into the government will enhance its image, if not its performance, until elections can be held later in the year.)

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Prime Minister Sanya

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the increasingly generous terms of Japanese aid, although the terms still are less liberal than those of most major Western donors. Tokyo, with few exceptions, will probably not allow its loans to be used to procure goods and services from other developed countries. Japanese businessmen and government officials generally want development project loans to be used to finance Japanese exports. In a few instances, Tokyo has allowed world-wide procurement, largely because of political or oil-supply considerations, and such exceptions probably will still be made when considered expedient.

46 Japan's dependence on imported oil and other commodities is bringing about a significant shift in the distribution of its aid. Assistance increasingly will flow to countries and regions producing needed minerals and agricultural commodities. A cabinet-level International Cooperation Agency, being formed to coordinate aid programs, is expected to promote aid to help secure supplies of key raw materials.

46 Following the October war and the Arab oil-production cutbacks, Tokyo began promising substantial loans and technical aid to countries in the Middle East, both oil producers and non-producers, to help ensure friendly ties with oil-rich states. Since November, Japan has pledged at least \$720 million in loans to several countries, including about \$380 million to Egypt. This upsurge in aid accounts for much of the over-all rise in the Japanese aid budget for this fiscal year, as Tokyo's aid to this area had been minimal.

AID ON THE RISE

46 Tokyo is increasing its economic aid to developing nations despite concern over its balance-of-payments position. Under the budget for fiscal 1974, funds for grants show a more than 40-percent gain over last year, to about \$500 million. Slightly over half this amount is earmarked for contributions to multilateral organizations, such as the International Development Association and the Asian Development Bank. Loan allocations are set at about \$840 million, up 20 percent. Total aid outlays last year were about \$1 billion, a 70-percent jump over the level reached in 1972.

46 In addition to the large grant component, most loans carry concessionary terms, reflecting

46 Despite the large amount of aid to the Middle East, the major portion of Japan's bilateral aid probably will continue to go to countries in South Asia and the Far East. Resource-rich Indonesia, for example, is slated to receive some \$400 million in loans this year. Latin America and Africa will have the lowest priority for aid, but some mineral-rich countries—such as Peru, Bolivia, and Zaire—are likely future recipients.

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EC: STALEMATE IN LUXEMBOURG

Both British and French leaders played to opinion at home in their presentations at this week's EC Council meetings in Luxembourg. Paris made a concession only on US trade demands. The stiff positions of the two may preclude progress for some time on almost all issues under consideration by the Nine. Over the next month, in any case, the attention of all the EC members is likely to be focused on the French elections.]

ment except for its references to improving relations with the US, and the Germans called on the British to relegate national interests to the background.

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The initial reactions to Britain's tough tone in demanding new terms of membership in the EC have been generally negative, the prevailing sentiment being that the implied ultimatum—better terms or UK withdrawal from the community—is not conducive to smooth negotiations. Britain's partners are virtually united against changes in the basic EC treaties. Concern over a serious clash between London and its partners is leading some officials of the Nine, especially from the smaller countries, to urge moderation and a matter-of-fact approach to Britain's stand. These officials take some comfort from London's pledge to continue participation in community business while renegotiations are under way. They also hope that Britain's specific requests, when made, will prove amenable to compromises within existing EC structures and policies.

55 The EC took positive action only in the field of trade negotiations with the US. The foreign ministers—including the French—agreed to improve the EC's offer of tariff reductions to compensate for the adverse effects on American exports of EC enlargement. Even the revised offer is still likely to fall short of Washington's demands, but it will probably meet the US deadline of May 1. Paris had insisted last November that the EC's offer on compensation at that time was "final," but apparently softened its position because of recent US warnings of retaliation.

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72 Foreign Minister Jobert noted pointedly, however, that applicant states had ample opportunity during the negotiations for membership to make their points of view known, and that it was necessary for the new members to adapt to community procedures. Jobert characterized as generally unacceptable the British intention to continue to participate in community activities while reserving the right to refuse further steps toward integration that would prejudice the renegotiation issues.]



Callaghan entering EC

83 Italian Foreign Minister Moro disagreed entirely with Foreign Secretary Callaghan's state-

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WESTERN EUROPE: AIRCRAFT TROUBLE

61 The joint British, West German, and Italian project to develop a European Multirole Combat Aircraft (MRCA) continues to encounter delays, rising costs, and technological difficulties. The project is about six months behind schedule, and some of the more pessimistic European experts on the project speculate that the plane will never get beyond the prototype stage.]

France in developing a new low-level, twin-engined Dassault fighter aircraft which is scheduled to be operational around 1980. This aircraft, like the MRCA, will have a multirole capability allowing it to carry out reconnaissance, strike, air superiority, and interceptor missions. The council of ministers of the seven-nation Western European Union reportedly will discuss the French proposal at a future meeting.]

25X1 61 Serious problems with the MRCA's engines have twice delayed plans for its first flight—now expected to take place in May or June.

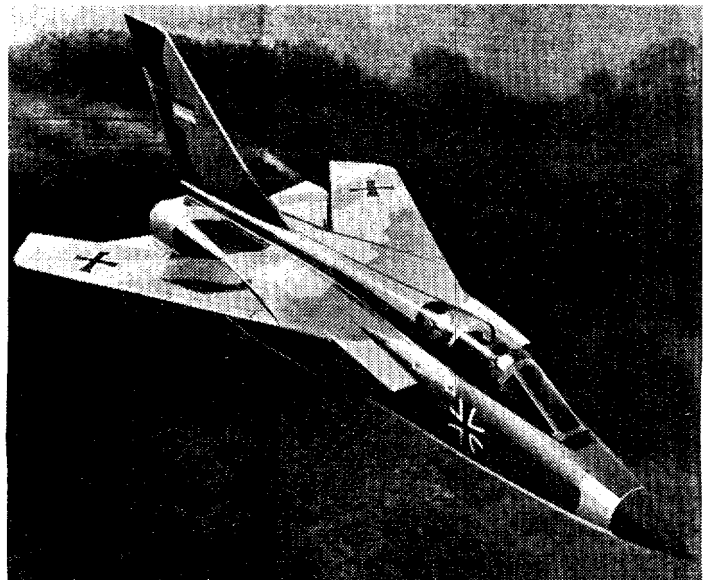
61 A similar French proposal several years ago was turned down by the British-West German-Italian consortium, and it is likely that Paris' current initiative will be rejected as well. A more likely alternative is that the countries involved will purchase less-expensive aircraft tailored for specific missions; West Germany and Italy have already expressed interest in this approach. Such aircraft could include the US-built A-7 and F-4, as well as the Lockheed Lancer and the YF 16 and 17, lightweight fighters now under development.

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25X1 61 The cost of the airplane already has far exceeded initial projections. The cost per aircraft was originally estimated at the equivalent of \$2.5 million.

61 As a result, the West Germans and the Italians are seriously considering withdrawing from the project and have begun seeking aircraft elsewhere. The UK does not want to cancel the project, but budgetary constraints may force London to restrict its participation and reduce the number of planes it might purchase.]

61 The French suggested in March that the three participants scrap the project and join



Artist's conception of MRCA

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SECRET**COMMUNISTS SEEKING OIL FOR AID**

(63-74)

The USSR and Eastern Europe are seeking more oil from the Middle East as well as increased cooperation with the national oil companies in producing countries. Eastern Europe is increasing its reliance on Middle Eastern oil—about one fourth of their imports is scheduled to come from Iran and the Arab producers this year.

The USSR and Eastern Europe have provided more than \$1.4 billion of aid for the development of national oil industries in the less-developed countries—almost half of which went to India and Iraq. Since 1969, the agreements increasingly stipulate repayment in oil. In February, Moscow was negotiating a contract with Iraq to accelerate development of the third and final stage of the North Rumaila oil field. This year, Romania extended the only new Communist aid for oil development—a \$37 million credit for machinery and equipment to Argentina. Moreover, Bucharest and Ecuador jointly announced plans for Romania to provide, probably on a commercial basis, technical services to Ecuador's petroleum sector.

Although still less than 10 percent of total Soviet-East European aid undertakings in the Third World, oil development assistance in some countries has been a critical factor in establishing national oil industries. This was particularly true in India, where Communist assistance made possible 50 percent of New Delhi's crude oil production and 60 percent of its refinery capacity. Iran's natural gas industry was encouraged by Soviet willingness to take gas, which had been largely burnt off in the past. Soviet-developed oil fields and a Czechoslovak-built refinery account for all of Syria's production capacity.

The Communist countries have given aid to national oil industries in hopes of assuring a guaranteed oil supply for Eastern Europe, but this is not succeeding. In January, Iraq stopped oil shipments on Soviet account after Moscow refused to pay \$17 per barrel, the price Baghdad was demanding from Western customers. Shipments under previous agreements apparently have resumed recently. Earlier Soviet plans to obtain as

much as 300,000 barrels per day of Iraqi oil this year—three times the estimated 1973 level—may be scaled down. It also is doubtful that the two parties will agree to long-term deliveries at fixed prices. East European countries, often agreeing to pay the higher prices demanded for Middle East oil, nevertheless also had difficulty in buying oil this year. Libya, however, may become an important supplier to Eastern Europe; agreements signed so far this year call for a doubling of oil exports.

Some less-developed countries that purchase Soviet oil are facing problems, in part due to Soviet difficulties in procuring oil from the Middle East. Moscow notified Ghana, for example, that the price for Soviet crude would be raised to nearly \$15 a barrel. In other moves, Moscow reportedly reduced its 1974 commitment to Morocco below the 20,000 b/d supplied last year, and it told Bangladesh that it will now have to pay hard currency for Soviet petroleum products.

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Yugoslavia**RESTRAINING THE CONSERVATIVES**

77 Senior party leaders are again warning neo-Stalinist zealots to fall into line with established party policy or face stern disciplinary measures. Some of the phrasing revives the question of Soviet intentions toward Yugoslavia, a rare occurrence since Tito's rapprochement with Brezhnev hit full stride last fall.

The warnings almost certainly reflect an emerging consensus in the leadership that conservative elements are using Tito's drive to tighten party discipline as a screen for attacking their ideological opponents. Tito himself has cautioned against "witch-hunts" or other attempts to alter his moderate internal policies. Nevertheless, conservative extremists, in boldly agitating for comprehensive party controls, have recently criticized prominent party dons—like Vladimir Bakaric in Croatia—for their softness toward liberals and nationalists.

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75 Last week, Edvard Kardelj, Yugoslavia's top ideologue and a close friend of Tito, upbraided those who favor a return to the Stalinist methods of the country's early postwar years. He told a party meeting in his native Slovenia that the actions of ideological "revanchists" amounted to a "reactionary blow" against the "free self-management of the peoples of Yugoslavia."

76 Bosko Siljegovic, the chief of the presidium's foreign policy commission, elaborated on Kardelj's charges at a republic party congress in Bosnia-Herzegovina—a conservative stronghold. He stressed that neo-Stalinists are prone to subordinate national interests, even the sovereignty of Yugoslavia, to the fight against imperialism. He added that such factions would inevitably seek foreign military and political support.

77 There is no evidence that the Yugoslav party's conservative zealots have engaged in any illicit dealings with the Soviets. Given the extent of the Tito-Brezhnev rapprochement, Moscow might well reject such potentially embarrassing approaches. Charges of anti-Yugoslav activity nevertheless serve as a warning that the party will quash factional activity of any kind. Indeed, Siljegovic's allegations are the type of rhetoric that preceded the Yugoslav purges of 1971-72, and the still-fresh memory of these events ensures that his words will not fall on deaf ears.

77 Tito has so far remained out of the controversy, although he has clearly sanctioned Kardelj's and Siljegovic's warnings. Having pronounced only last November his "trust and confidence" in Soviet party leader Brezhnev, Tito probably deems the veiled rhetoric hinting at inimical Soviet intentions to be an uncomfortable but necessary course of action.

Portugal**OVERSEAS POLICY DIVISIVE**

79 Prime Minister Caetano's refusal to censure either side in the quarrel over Portugal's policy towards its overseas territories appears to be a

studied attempt to calm the unrest over this troublesome issue.

78 In a speech on March 28, Caetano reassured the ultra-conservative members of the establishment by declaring that Portugal would never abandon its African provinces. Caetano also hinted that the military rebels who made a feeble attempt to overthrow the government on March 16 would be dealt with gently. This attitude should relieve some of the simmering discontent within the military over the arrest of the officers who favored a change in overseas policy.

78 Caetano seemed to be acutely aware that more internal disorders might be in the offing. He warned the Portuguese that more anarchy would inevitably lead to the establishment of an "iron authoritarian regime." Caetano claimed he would not like to see that happen, and his warning probably is a signal that he is under strong pressure to clamp down hard if there is any further unrest.

78 The only critical remarks in the speech were directed at foreigners, whom Caetano accused of insisting that Portugal surrender its African empire while refusing to consider the solutions set forth in General Spínola's book. It was the first time the Prime Minister has mentioned Spínola's book, and his remarks implied that he saw some merit in Spínola's thesis. Spínola has been at the center of the controversy because his book, which was published in February, argued that a military solution was impossible and that Portugal's interests would be better served if Lisbon extended greater autonomy to the African provinces.

79 Meanwhile, more problems have surfaced in Mozambique, one of Portugal's overseas territories. A petition circulating there condemns the church hierarchy in Mozambique for collaborating with Lisbon in maintaining a repressive system that exploits the people of the territory. The petition was signed by the bishop of Nampula, who is Portuguese, and by all the members of an Italian missionary order stationed in the Nampula diocese.

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ROMANIA: CEAUSESCU'S CORONATION

1 Last week's election of Nicolae Ceausescu to the new office of president of the republic, and the accompanying personnel and organizational changes, further institutionalize the Romanian leader's predominance. The changes also add a new dimension to an emerging form of socialism that is uniquely Romanian.

2 Establishment of the presidency weakens both the existing state council (the corporate "head of state") and the office of premier. The new presidency assumes most of the functions and powers of the council, including its role of supreme representative of the state. Moreover, the president's right to preside over the council of ministers effectively undercuts the role of the premier.

3 Ceausescu strengthened his grip on the party by abolishing the once prestigious Permanent Presidium (Politburo) and leaving untouched the hand-picked membership of the Secretariat and the Executive Committee. Ceausescu's presumed chairmanship of the new Standing Bureau, which is charged with coordinating party and government activity, further enhances his authority.

4 The personnel changes made last week are in keeping with Ceausescu's practice of rotating officials between party and state posts. This is part of his effort to raise the level of managerial competence and to increase efficiency by finding the correct balance of loyalty and expertise.

5 The most significant shift was the retirement of 72-year-old Premier Maurer "because of health and age," although he reportedly had policy differences with Ceausescu. He was replaced by Manea Manescu, a former deputy premier, a leading economist, and a long-time adviser to Ceausescu. The Romanian leader had evidently found a convenient opportunity to retire Maurer with honor and to replace him with a man of proven loyalty and pliability.

Ceausescu's inauguration as president was a showy demonstra-



Ceausescu

6 The coronation of the "cult of personality" and that the coronation-like atmosphere lacked only a crown. After receiving a presidential sash and a golden scepter, he pledged to use his office "to achieve the brilliance and grandeur of the Socialist Republic of Romania." The Soviet ambassador was reportedly so chagrined at these events that he initially refused to sign the Bucharest diplomatic community's message of congratulations.

7 On balance, last week's events seem to mark the beginning of a process that will continue until the party congress convenes late this year. Ceausescu apparently intends to use the congress to put his personal stamp on the structure and membership of all elite party and state organs, while further "creatively" tailoring Marxism-Leninism to purely Romanian circumstances.

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SECRET**ISRAEL: ON THE HOME FRONT****(NOT SOURCED)**

The partial results of the official inquiry into Israel's conduct of the war last October, which were published this week, are unlikely to mute the controversy surrounding the handling of the war by Prime Minister Meir's government. In effect, the findings clear the government of direct responsibility for the shortcomings uncovered in the investigation and place the blame squarely on the military.

The five-member commission, which is headed by Israel's chief justice and includes two former chiefs of staff, chose not to deal with the broader question of ministerial responsibility and focused on the more easily defined issue of military accountability. Such an approach should formally get Prime Minister Meir's government off the hook, but it has raised a storm of controversy and leaves the commission open to charges of conducting a whitewash.

Israeli editorials are already claiming that the commission report is suspiciously protective of Defense Minister Dayan, in particular, and are calling on the commission to direct more attention to the activities of the senior political leaders during October. Predictably, the opposition Likud bloc called on the government to accept the moral and political responsibility for the short-comings highlighted in the report and to resign. The Likud is likely to offer a motion of no confidence in the government when the Knesset meets in a special session on April 10 to hear a government statement on the commission's findings. The government should be able to withstand such a challenge.

Chief of Staff Elazar, who quit in view of the report's findings, complained in his letter of resignation that the report was unfair in treating him differently from Dayan. Professional military men are likely to become more bitter and even demoralized should the commission's final report, expected in late April or May, absolve the government of direct responsibility and put the burden

of blame on the military establishment. This could touch off resignations by officers not implicated by the commission.

*THE OFFICIAL INQUIRY INTO THE WAR
FOCUSED ON MILITARY ACCOUNTA-
BILITY RATHER THAN MINISTERIAL
RESPONSIBILITY.*

The report bore down particularly hard on the military intelligence staff, charging it with failing to detect Arab preparations for war and improperly evaluating available information. It recommended the removal of intelligence chief Zeira and several other senior military intelligence officers, including Zeira's deputy for estimates.

Meanwhile, Mrs. Meir's cabinet avoided another potential crisis when the National Religious Party's central committee, in a stormy session, voted to endorse the party leadership's earlier decision to join Mrs. Meir's coalition. The vote failed to head off the resignation of Social Welfare Minister Hazani, who held one of three cabinet posts allotted to the party. Hazani said his action was motivated by the difficulty he had in reconciling the party's decision to stay in the government with contrary advice from Israel's Chief Rabbinate. Hazani, however, assured Mrs. Meir of his continued support in the Knesset.

The National Religious Party remains divided over the question of participation in the cabinet without having first obtained legislation revising the Law of Return to apply only to orthodox Jewish immigrant converts. Despite these strains, the party's other two cabinet members—Interior Minister Burg and Religious Affairs Minister Raphael—apparently will stay on. The party will not immediately name a replacement for Hazani, presumably as a gesture to its more conservative wing.

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SECRET**TURKEY: THE MILITARY WATCHDOG**

88 The coalition government of Prime Minister Bulent Ecevit, in office since February, is pushing controversial political-amnesty legislation and considering lifting the ban on cultivation of opium poppies. In tackling these issues, it has met behind-the-scenes pressure from conservative military officers, who are wary of both coalition parties and determined to prevent any deviation from what they consider Turkey's national interests.

81 A general amnesty—particularly for “crimes of thought”—was an important issue in the election last fall for Ecevit's left-of-center Republican Peoples Party, the dominant partner in the government coalition. Senior officers, however, object to provisions in the government's bill that would include in the amnesty those charged with disseminating communist propaganda and with advocating violent overthrow of the government.

89 Military leaders have rallied their supporters in parliament and believe the provisions they oppose, which have been attacked by the opposition parties, will be removed. The controversial provisions are also disliked by fervently anti-communist deputies of the Islam-oriented National Salvation Party, the junior coalition partner, although they have reportedly agreed to vote for the bill.

87 The army has also made its weight felt on the opium poppy question. The opposition of most officers to ending the ban on cultivation, a move advocated by both coalition parties during the election campaign, was probably partly responsible for the government's postponement of a decision on the issue until the end of July. The army does not want to complicate relations with Washington, lest it jeopardize US military aid. The ban has been unpopular, however, among peasants in the poppy-growing areas, who are

being courted by the opposition parties in anticipation of a possible breakdown of the present coalition and early elections. The planting of poppies for seed was resumed on state farms last month to ensure adequate seed stocks for a normal fall planting.

88 Military pressures on Ecevit's government raise the specter of the March 1971 “coup by memorandum” in which the army forced the resignation of the Justice Party government, led by Suleyman Demirel, and brought about a two-and-a-half year period of rule by military-backed “above party” cabinets. Although the key officers who signed that memorandum have now been retired and the army displayed considerable patience during the three-month crisis that preceded the formation of the present government, it clearly has not given up its role as watchdog. Ecevit reportedly hopes to retire most of the remaining senior officers who supported the 1971 coup. He will have until August—the customary time for retirements—to generate enough support within the military to ensure that there will be no adverse reactions.



Turkish farmer in poppy field

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ETHIOPIA: STILL UNSETTLED

Unrest in the security forces eased during the past week as moderate elements appeared to gain strength over radicals, and the government took new steps responsive to earlier demands by military and civilian dissidents. The breather may be short-lived, however. Civilian turbulence is growing in the provinces, where townspeople are complaining about local corruption and peasants are becoming increasingly agitated over the explosive issue of land reform.

Meanwhile, more serious civilian demonstrations occurred during the week in at least half of Ethiopia's provincial capitals and in numerous other towns in support of prompt action against corrupt and incompetent local officials. Local administration reportedly has broken down in some areas because officials are staying away from their posts or have been placed under house arrest by townsmen. Normally submissive parliamentary representatives are becoming more vocal in their denunciation of provincial governors; one deputy called for the dismissal of all 14 governors, whom he labeled "arrogant mini-dictators."

Emperor Haile Selassie was forced to accede to demands for an inquiry into corruption among present and former high-level officials to calm the military unrest. Late last week a seven-man investigative commission was named that includes a police colonel and an army officer. The commissioners are widely regarded as men of integrity and competence; two have been prominent in progressive circles. Initial reaction to the appointments has been generally favorable, although the US Embassy reports that some reformers in the military doubt the panel packs enough political weight to carry out a thorough investigation.

The greatest potential for violence comes from the mass of uneducated rural Ethiopians. Although most of these people apparently remain loyal to the Emperor, they want changes in land tenure that will guarantee them their own farms and provide relief from the large rents paid landlords. Stirred up by reports of urban unrest, peasants in some areas have taken matters into their own hands, murdering landowners and seizing land.

Army and police units in Asmara that had broadcast peremptory demands for swift legal action against official corruption and arrested some 20 police officers have returned to their barracks. Paratroops, however, continue to control the air base at Debre Zeit, where since March 25 they have been containing radical air force personnel who had threatened direct action against the government of Prime Minister Endalkatchew. Tension between the paratroops and airmen remains high.

The tribal nature of the landlord-tenant conflict increases the likelihood of more violence. Landlords are mostly members of the more sophisticated, politically dominant tribes; tenants are mainly members of the poorer, less-educated tribes whose resentment is coming to the surface after years of submissiveness.

Earlier in the week the Defense Minister issued a public statement charging that "irresponsible elements" in the armed forces—a clear reference to the rebellious airmen—had attempted a coup last week. A demonstration of solidarity with the air force radicals staged by students in Addis Ababa in reaction to the statement was quickly dispersed by riot police.

Endalkatchew has attempted to calm the growing peasant unrest by promising that the government will soon issue a policy pronouncement on land reform. The implementation of land reform and the dismissals of provincial officials, if carried out, will undermine the power of the local nobility and landowners who have formed the main power base of the regime. They may be forced to decide whether to accept or resist the central government's intention to carry out far-reaching changes.

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SOVIET ARMS TO EAST AFRICA

(94-98)

Moscow is using its military aid programs in East Africa in an effort to increase its influence there. Somalia is receiving MIG-21 jet fighters and a surface-to-air missile system—the most sophisticated weapons ever sent to East Africa. In addition, long-dormant aid programs in Uganda and Tanzania are being revived.

Somalia, which has been anxious to upgrade its mainly Soviet-equipped military forces, has received 15 MIG-21s this year. The air force flies MIG-15s and 17s, but has only a limited capability to operate MIG-21s—seven pilots are reportedly trained on the aircraft.

THE PURPOSE: FRIENDS AND INFLUENCE AT THE EXPENSE OF THE CHINESE, AND PORT FACILITIES FOR SOVIET INDIAN OCEAN NAVAL FORCES.

After a hiatus of several years, the Soviets have resumed arms shipments to Uganda. Relations between the two countries cooled when President Amin came to power three years ago, but have improved over the past year. Some five MIG-17 jet fighters, ten T-34 tanks and six armored personnel carriers were delivered last November.

The increase in Soviet military aid to East Africa appears to represent a pragmatic and opportunistic response tailored to events in each country. Moscow is eager to win friends in East Africa, especially at the expense of the Chinese, and to secure the use of port facilities for its Indian Ocean naval forces. The Soviets are still concerned about maintaining stability in the area, however, and have cautioned the Somalis, for example, about pressing their irredentist claims against Kenya and Ethiopia. Moreover, it is unlikely that the additional Soviet arms will give any recipient a significant military advantage over its neighbors. Somalia, Tanzania, and Uganda do not now have the capability to utilize effectively the equipment currently in their inventories, and the introduction of more sophisticated equipment will only complicate matters.



MIG crates on Mombasa dock

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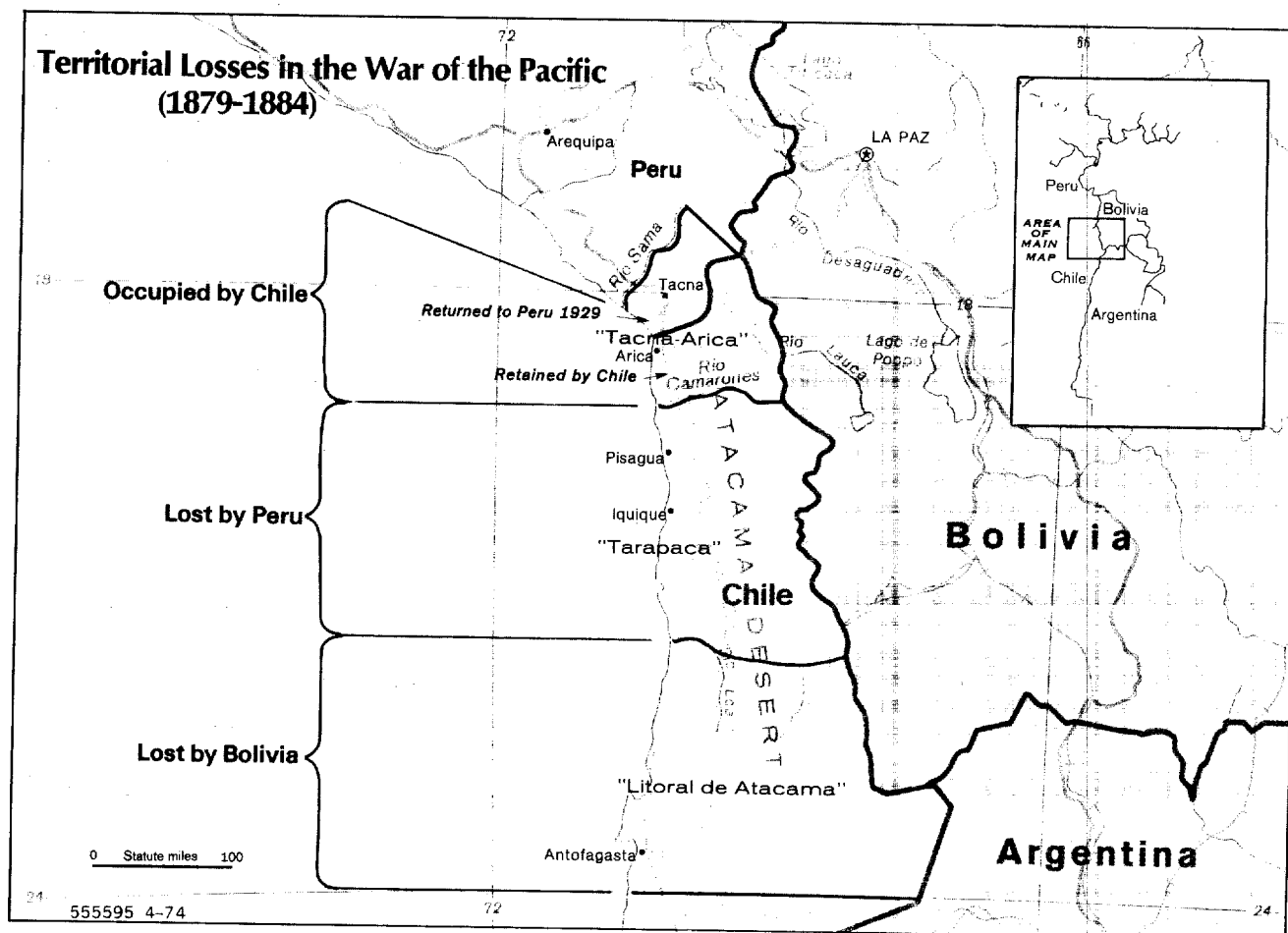
SECRET**PERU-CHILE: A VOLATILE BORDER**

94 Peruvian and Chilean leaders are attempting to dissipate the atmosphere of impending conflict that has recently arisen between the two countries. The basic cause of tension—Peru's loss of territory to Chile in the last century—remains, however, and both sides are likely to continue preparations for a possible confrontation.

102 In a recent press conference, Peruvian President Velasco emphasized that absolutely no conflict existed with Chile. Chilean Foreign Minister Huerta has made similarly moderate statements, declaring that Santiago wants good relations with all countries, especially its neighbors. These statements were prompted by military activity by

each side, which is interpreted by the other as aggressive in nature.

99 Peruvian resentment over the loss of some southern territory to Chile in the War of the Pacific (1879-84) never has been far from the surface, but it is coming to the fore as the centenary of the war approaches. The Peruvian military has traditionally held that national honor dictates that the lost territory must be regained by 1979. Reports that Chile may be planning to give Bolivia access to the sea through territory that formerly belonged to Peru have exacerbated Peru's revanchist sentiment. Lima has noted that any such move by Chile would be interpreted as a

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violation of their 1929 boundary treaty, according to which neither country will cede border-area territory to a third power without the concurrence of the other. Velasco has declared that Peru would be happy to see Bolivia regain an outlet to the sea—but only through former Bolivian territory.

Although Peruvian revanchism is the strongest factor tending to raise tensions between the two countries, ideology may also have been playing a role since the conservative military regime took power in Chile.

Recent Peruvian military moves that have tended to heighten Chile's fears include the purchase of Soviet tanks last fall, the arrival of Soviet instructors in January, and the announcement last month that the army's armored school will be transferred from Lima to southern Peru.

Peru is attempting to strengthen its military posture through foreign arms purchases. It recently ordered six Jet Ranger helicopters from the US and has asked Washington to speed up deliveries of armored personnel carriers and mortar carriers scheduled for shipment late this year. Peru now has Soviet T-55 tanks in its inventory and on order.

Partly in response to Peru's military purchases, Chile has sought to modernize its armored

corps. A high-level military procurement team is touring West Germany, France, and the US in search of tanks to replace outdated US models, thus far without success. In the face of turndowns by both Paris and Bonn, the team is expected to press Washington for the tanks, as well as for TOW anti-tank missiles and self-propelled artillery. Chile already is scheduled to receive 16 M-60 tanks from the US, but it would like both more tanks and an accelerated delivery timetable.

The Chilean Air Force is seeking to increase its jet fighter inventory and to assure an adequate flow of spare parts. Negotiations with the US for a squadron of F-5s are nearing completion.

Peruvian leaders probably are concerned that recent press reports raising the specter of Peruvian aggression, possibly with Soviet involvement, will further isolate the regime from its Latin American neighbors. Lima is sensitive to the fact that Velasco's government stands out as the most radical in South America, and it apparently does not want to offend further its more conservative neighbors, especially Brazil. In addition, Velasco appears to be interested in bettering Peru's relations with Washington, a policy likely to be made more difficult by reports and rumors that Lima has aggressive plans. Nevertheless, mutual suspicion and hostility are likely to grow. The prospect, therefore, is for a continuing arms buildup on both sides, concurrent with Peruvian efforts to quiet the hysteria through political and diplomatic channels.

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VENEZUELA: NEW DIRECTIONS

(113-119)

Venezuela's new government, accumulating massive financial resources as a result of high oil prices, is beginning to chart new directions in economic policy. Caracas has adopted a cautious approach, however, and is emphasizing careful preparation before spelling out specific courses of action.

In his first major step to fulfill his promise to nationalize the oil industry, President Perez has named a study commission to analyze alternative approaches. The commission, headed by the minister of mines and hydrocarbons, is to report to the President within six months. Congressional action on nationalization is likely to be taken by the end of this year.

In a second major decree, Perez has approved a 90-day freeze on prices of goods and services to give the government time to work out a general plan for wages, prices, and employment. The government also has ordered a study to lay the groundwork for a unified national planning effort and has named a commission to study reform of public administration.



Minister of Mines Hernandez

At current oil prices, Venezuela's revenues could rise by over \$7 billion this year, an increase of about 200 percent over last year. The gain may not be so high because of signs that world oil prices are softening; nevertheless the quantum jump in revenue will permit the government to undertake significant investments in support of its commitment to rapid economic development. Perez has stated that investment will be directed toward areas of high productivity, with emphasis on diversifying exports; industries specifically mentioned are petrochemicals and steel.

There are limits, however, to the extent that government spending can be stepped up. Even with a planned increase in expenditures of 20 percent this year, there could be a surplus of over \$6 billion. The government is preparing legislation to establish a fund that would use half of the surplus for foreign investment; several US banks have been consulting Caracas about such possibilities.

Other excess oil revenue would be used to finance international projects, particularly in Latin America, through multilateral organizations including the Inter-American Development Bank, the Caribbean Development Bank, the Central American Bank, and the Andean Development Corporation. Caracas also intends to help developing countries import Venezuelan oil at current prices. Caracas has stated that its further objectives are to increase the export capacity of developing countries and to act as a catalyst for multinational projects, in order to contribute to a global redistribution of income.

Concern about growing inflationary pressures motivated the decision to impose a price freeze. Even in the first nine months of 1973—before the sharpest oil price increases—the general price index rose 8.7 percent, compared with 3.5 percent in 1972. Domestic price increases last year reflected higher prices for imports and the effects of a poor agricultural crop, in addition to increased demand. Expanded government expenditures this year will add to domestic inflationary pressures.

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SECRET**BRAZIL: LIBERALIZATION IN DOUBT**

120 Recent actions by the Geisel administration
 122 raise questions about the President's commitment
 to some sort of political liberalization.

120 In one instance, for example, Geisel moved
 122 to block the political aspirations of former
 finance minister Delfim Netto, who had hoped to
 become governor of his home state, Sao Paulo.

120 Even though Delfim is widely acknowledged
 122 as the architect of much of the country's recent
 economic success, opposition to his ambitions is
 strong, primarily among military leaders. While he
 is resented for a number of minor reasons, the
 fundamental fear of many officers is that Delfim
 would try to use the governor's position as a base
 from which to question—and possibly challenge—
 the military's control of the political system.

120 When Delfim's interest in the governorship
 122 became clear, Geisel named another former minis-
 121 ter as the government's official candidate. To
 underscore his opposition to Delfim, the Presi-
 dent proposed a draft law that would reduce the
 already limited role of political parties in the
 selection of gubernatorial candidates. This move
 proved sufficient to deprive Delfim of whatever
 overt support he already had among politicians.
 The regime also may have signaled its displeasure
 with a leading Sao Paulo newspaper that has sup-
 ported Delfim editorially by reaffirming full-scale
 censorship after reportedly considering a partial
 lifting.

120 In addition, a federal deputy of the opposi-
 122 tion party, who bitterly criticized Chilean leader
 Pinochet when the latter visited Brasilia, has
 121 drawn the ire of the administration. The justice
 minister is preparing legal action against the legis-
 122 lator, who is charged with violating a national
 security law that prohibits public offenses against
 a foreign leader. The government is proceeding
 along constitutional lines, although it clearly
 intends to pursue the issue firmly.

120 The action may be intended to discourage
 other intemperate or embarrassing remarks that
 might hinder any liberalizing plans the administra-
 121 tion may still have. On the other hand, a similar
 incident five years ago ultimately led to the
 122 imposition of Brazil's harshest national security
 law, which is still in effect. Geisel's early moves
 indicate that, despite talk of a possible democ-
 ratic opening, the government is still authoritar-
 ian, and will firmly lay down the rules by which
 the participants it selects must play.

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ARGENTINA: PERON SWITCHES TACTICS

125 In contrast to the heavy-handed measures
 recently employed to remove Cordoba's governor
 and his deputy, the Peron government is using a
 127 more gingerly approach in dealing with situations
 in other troubled provinces.

123 In Mendoza, where friction between op-
 posing Peronist factions has flared sporadically
 for months, Peron's conservative (orthodox) fol-
 125 lowers are resorting to legal means to remove
 Governor Martinez Baca, a holdover from the
 Campora regime with links to the left. Charges of
 127 influence-peddling and other malfeasance have
 brought calls for his impeachment, and the prob-
 ability is strong that he will either resign or be
 removed. Non-Peronists in the province, including
 leaders of the Radical Party, are loudly endorsing
 calls for Martinez Baca's ouster. Peron has been
 careful to cultivate support from other political
 parties, and he may be striking deals with them in
 return for favors.

125 Intra-Peronist squabbling continues to create
 problems in Santa Fe and Salta provinces, where
 left-wing governors are also under attack from
 127 orthodox Peronists, but the situation does not
 appear to be unmanageable. Right-wing Peronist

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labor groups apparently are having little success in their efforts to unseat the governors, and Peron may be counseling a go-slow approach, especially if he believes popular support for removal of the elected officials is lacking.

press to federal intervention. Adding to the difficulties, university students have occupied offices at the University of Cordoba to protest the naming of a new rector by federal authorities.

Meanwhile, the federal take-over of Cordoba has left deep scars, and the political situation in this key industrial city continues to be shaky. The administrator sent out by Buenos Aires has alienated both right- and left-wing Peronists, thereby complicating his task of pacifying the turbulent Cordobans. The thorny dispute is aggravated by the hostility of the provincial con-

Unless the sharp differences among feuding government officials, labor unions, and student groups are resolved, the current balancing act will prove to be little more than a palliative. There are signs that tempers are rising on all sides, increasing the likelihood that further violent clashes will be provoked by extremists.

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